

Message Text

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PAGE 01 BONN 16374 171825Z

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DEPARTMENT PASS AGRICULTURE FOR GOODMAN AND FRASER

E.O. 11652: N/A

TAGS: EAGR, GW

SUBJECT: THE GERMANS LOOK AT THE CAP

1. BEGIN SUMMARY: THE FRANKFURTER ALLGEMEINE
REPORTED ON OCTOBER 17 ON AN INTERNAL STUDY ORDERED BY
CHANCELLOR SCHMIDT CONCERNING A REEVALUATION OF THE PRE-
SENT EC AGRICULTURAL POLICIES. THE STUDY WAS PREPARED
BY UNDER SECRETARY SCHLECHT OF THE MINISTRY OF ECONOMICS.
THE STUDY CONCLUDED THAT THE PRESENT CAP HAS BEEN UNSUC-
CESSFUL IN REDUCING THE DISPARITY BETWEEN HIGH AND LOW
INCOME FARMERS, HAS NOT RECOGNIZED DIFFERENCES IN PRODUC-
TION COSTS IN THE SEVERAL MEMBER STATES, HAS CREATED BUR-
DENSOME SUPPLIES WHICH HAVE BEEN DUMPED ON THE WORLD
MARKET WHICH HAS CREATED PROBLEMS IN THE WORLD MARKET
FOR TRADITIONAL SUPPLIERS. THE STUDY ADVOCATES A MODI-
FIED DEFICIENCY PAYMENT PROGRAM BASED ON MARKET-ORIENTED
PRICES. THE STUDY ALSO CONCLUDED THAT THE FRENCH HAVE
GAINED BOTH FROM THE INDUSTRIAL AS WELL AS THE AGRICUL-
TURAL SIDE BY MEMBERSHIP IN THE COMMUNITY MORE THAN HAVE
THE GERMANS, AND THAT THE BURDEN OF THE BUDGET COST OF
THE CAP HAS BEEN CARRIED MAINLY BY THE FRG. END SUM-
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PAGE 02 BONN 16374 171825Z

MARY.

2. THE STUDY CONCLUDED THAT THE PRESENT CAP WAS UNSUCCESSFUL IN DIMINISHING THE DISPARITY WITHIN AGRICULTURE BETWEEN HIGH AND LOW INCOME FARMERS. THE PRESENT PROGRAM OF ACROSS THE BOARD PRICE SUPPORTS HAS NOT TAKEN INTO CONSIDERATION THE DIFFERENCES IN PRODUCTION COSTS IN THE SEVERAL MEMBER STATES. THE RESULT OF THIS PROGRAM OF HIGH PRICE SUPPORTS HAS BEEN THE CREATION OF AGRICULTURAL SURPLUSES. IN ORDER TO RELIEVE THE PRESSURE OF THESE SURPLUSES ON THE EC MARKET, THEY HAVE BEEN DUMPED ONTO THE WORLD MARKET. THIS DUMPING OF SURPLUSES HAS CREATED INTERNATIONAL PROBLEMS FOR THE COMMUNITY WITH TRADITIONAL EXPORTING COUNTRIES.

3. IN ORDER TO REMEDY THIS SITUATION, THE STUDY PROPOSED A RADICAL CHANGE IN THE CAP. IT PROPOSED A MODIFIED DEFICIENCY PAYMENT PROGRAM TO FARMERS. IN ORDER FOR THIS PROGRAM TO BE EFFECTIVE, SUPPORT PRICES WOULD HAVE TO BE ORIENTED TOWARDS MARKET DEMANDS. IN THIS WAY, THE COST OF THE DEFICIENCY PAYMENTS COULD BE EXPECTED TO BE MINIMIZED.

4. THE ORIGINAL IDEA OF THE EC-CAP WAS THAT THE FRENCH WOULD GAIN AGRICULTURAL MARKETS WITHIN THE COMMUNITY AND GERMANY WOULD GAIN INDUSTRIAL EXPORT MARKETS. HOWEVER, THE STUDY HAS INDICATED THAT THIS HAS IN FACT NOT HAPPENED. APPARENTLY FRENCH INDUSTRIAL EXPORTS HAVE INCREASED TO MEMBER STATES FASTER THAN HAVE GERMAN INDUSTRIAL EXPORTS. ON THIS BASIS, THE STUDY CONCLUDED THAT THE FRENCH HAVE INDEED BEEN A MAJOR BENEFICIARY OF THE EUROPEAN COMMUNITY. THE STUDY ALSO POINTED OUT THAT FRANCE IS THE SECOND LARGEST BENEFICIARY FROM THE EC GUARANTEE FUND WHILE THE FRG IS THE LARGEST NET CONTRIBUTOR TO THAT FUND. IT WAS ESTIMATED THAT FOR EVERY ONE PERCENT ACROSS THE BOARD INCREASE IN CAP PRICES, THE BUDGET COST WOULD INCREASE BY 240 MILLION DEUTSCHE MARK. THE STUDY CONCLUDED THAT A DEFICIENCY PAYMENT PROGRAM COULD SUBSTANTIALLY REDUCE THE COST OF THE CAP WITHOUT REDUCING FARM INCOMES.

UNCLASSIFIED

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PAGE 03 BONN 16374 171825Z

5. COMMENT. WHILE THERE HAS BEEN AS YET NO PUBLIC CONFIRMATION OF THIS REPORT, OUR GOVERNMENT SOURCES HAVE ACKNOWLEDGED ITS ACCURACY.
HILLENBRAND

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